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Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

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July 30, 2009

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

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INTER-JURISDICTIONAL PURCHASING AGREEMENTS (RESPONSE TO ITEM 5G, AGENDA OF JUNE 22, 2009)

On June 22, 2009, in a motion introduced by Supervisor Mark Ridley-Thomas, your Board directed the Chief Executive Office (CEO) to work with the Internal Services Department (ISD) to pursue greater inter-jurisdictional coordination in the purchase of services in an effort to achieve savings by leveraging the purchasing power of the County, as well as the market power of multi-jurisdictional collaboration. This memorandum provides information on actions taken to date.

As further discussed below, CEO staff have worked with ISD and other County departments to reach out to other agencies in several ways including:

- National Purchasing Contracts;
- Los Angeles Unified School District Collaboration;
- City of Los Angeles Collaboration;
- Healthcare and Insurance;
- Information Technology Agreements; and
- Additional Collaborative Efforts with Other Cities.

National Purchasing Contracts: ISD had previously taken the lead in establishing a national contract for office supplies, electrical products and supplies, and telecommunications equipment and supplies through "US Communities," a national cooperative program where the purchasing volume from more than 30,000 government agencies across the country is aggregated and leveraged to increase purchasing power. ISD indicates that additional commodities, such as office machines, playground equipment, office furniture, roofing products, and janitorial supplies are also purchased through the US Communities program contracts.

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Los Angeles Unified School District Collaboration: CEO, ISD, and Chief Information Office (CIO) staff participated in a conference call with Los Angeles Unified School District (LAUSD) staff to identify specific areas where there was potential for collaboration. As a result of that conference call, the following areas are being investigated: purchasing, information technology equipment, health benefits/insurance, e-learning (on-line training), real estate, and leased properties. CEO provided LAUSD with specific County staff contacts for each area. LAUSD asked to take the lead on arranging follow up meetings, at the staff level, between the two agencies. ISD and LAUSD purchasing staff have reported that LAUSD is already accessing some of the County's commodity agreements. LAUSD also participates in the US Communities program. Both County and LAUSD purchasing staff are currently reviewing all existing agreements to determine if there are other areas where a cost benefit can be realized and to identify common purchases where joint solicitations may be beneficial. They also agreed to ask the City of Los Angeles to participate in future joint solicitations.

City of Los Angeles Collaboration: ISD staff has collaborated with City General Services staff on several joint purchasing initiatives over recent years to aggregate purchasing volumes for cost savings and standardization of products. These include agreements for firefighter apparel and self-contained breathing apparatus equipment, copy paper, and office machines. While potential savings from joint fuel purchases were also examined, it was determined that cost reductions beyond current favorable pricing were not feasible due to industry pricing structure.

CEO staff contacted the City of Los Angeles Personnel Department staff regarding a potential collaboration with the City through use of the City's existing electronic online training for sexual harassment. The Office of Affirmative Action Compliance followed up with City Personnel Department and evaluated the City's proposed cost to the County. However, it was determined the County could provide its own training at less cost. The County and City will continue to explore additional opportunities for joint training, particularly when the future contracts for training go out to bid.

Healthcare and Insurance: This Office, in consultation with outside consultants, has analyzed areas to reduce healthcare costs via collaboration with other agencies. Unfortunately, these efforts have significant challenges. Some of the hurdles encountered involved the following:

- Agencies would have to have similar benefit packages and benefit usage rates in order to negotiate with insurance companies;
- Most agencies are already members of the Public Employment Retirement System (PERS) and, therefore, are enjoying favorable rates;
- Labor unions would have to be willing to renegotiate contracts with other unions and management; and
- The County is already receiving very favorable rates as one of the largest employers providing benefits.

IT Agreements: One of the most important areas where cooperative purchasing produces the most benefit is in the field of Information Technology (IT). Below is a sample of the County IT agreements in place and the positive impact they have made.

Software License Agreement with Oracle USA Inc.

- ISD negotiated a software license agreement with Oracle USA Inc., and the resulting contract can be accessed by all local governments (i.e., counties, cities, special districts, etc.) in the State of California to purchase and acquire software (product license and maintenance) at a significantly reduced price.
- The contract enables County departments to acquire database and e-business application software licenses and technical support up to a 50 percent discount off regular pricing.
- Participating entities mentioned above may acquire Oracle software licenses and technical support up to a 40 percent discount.

Los Angeles Regional Imagery Acquisition Consortium (LAR-IAC)

- LAR-IAC is a collaborative multi-jurisdictional purchasing arrangement comprised of an estimated 48 municipalities/agencies within Los Angeles County, to acquire and refresh high-quality aerial imagery data for use in multiple geographical information systems.
- The agreement achieved an estimated \$1.7 million in cost savings and an estimated \$4 million in cost avoidance.

Consolidated Computer Purchase Program (CCPP)

- In collaboration with the CIO, ISD conducts a semi-annual competitive solicitation and establishes agreement for the County's computer requirements through a Consolidated Computer Purchase Program (CCPP). The CCPP enables County departments and other jurisdictions to benefit from combined economies of scale to acquire personal computers, laptops, and printers.
- Since its establishment in May 2006, the program has achieved an estimated \$35 million in savings and resulted in a 65 percent reduction over the current County's Master Agreement pricing with the large computing equipment vendors.
- ISD also maintains agreements with each of the major computer manufacturers in order to achieve greater discounts where available.
- Under the County's Personal Computer and Peripheral agreement, other counties and cities have purchased more than \$1.8 million in equipment during the past year.

Encryption Software

- This is a volume purchase software agreement for portable device encryption which can be accessed by all local governments (i.e., counties, cities, special districts, etc.) in the State of California, for the acquisition of software (product license and maintenance), as well as professional training and services at the reduced price negotiated by the County.
- The contract is structured on a tier-pricing model where all government agencies in the State can participate and purchase encryption software as needed. The agreement calculates pricing based on accumulated purchases of all California government entities, which enable true economies of scale.
- As a result of the volume pricing, the County has been able to reduce the per license maintenance and support fee by 28 percent since 2007.

AT&T

Los Angeles Bio Med and Harbor UCLA Medical Foundation utilize the County's contract with AT&T. This contract, like others, has a provision that specifically provides for Participating Entities, other government entities, to receive the same terms as the County contract. Where applicable, we will continue to add this language to County contracts.

Additional Collaborative Efforts with Other Cities: Wherever possible, ISD negotiates a "participating agency" clause in commodity contracts that allows any government agency the ability to "piggyback" on the County's contract pricing. On a semi-annual basis, ISD provides a listing of the County's commodity contracts to the cities within Los Angeles County, as well as the neighboring Counties. ISD also periodically notifies all cities in the County about new Los Angeles County contracts which cities can use. As these contracts are rebid in the future, ISD researches the usage on those contracts by both the County and the cities to ensure the purchasing volume projected in the future Request for Bids (RFBs) ensures the best possible pricing for the County and cities.

The CIO notifies cities about IT equipment contracts which cities can use. When the IT contracts are rebid in the future, the usage on those contracts, by both the County and the cities, will be reviewed to ensure the purchasing volume projected in the RFB is maximized to obtain the best possible pricing for the County and cities.

During 2008-09, the CIO identified software programs developed by County staff and initiated contact with CIOs in other Southern California counties to determine if there were any areas where software could be shared between agencies. This was a follow up to the Registrar-Recorder/County Clerk's project to enable e-Recording of property documents jointly with Orange, San Diego, and Riverside counties.

Each Supervisor
July 30, 2009
Page 5

As our discussions with outside agencies continue, we will report to your Board, as appropriate, on the progress and any possible new agreements that would assist the County in leveraging our purchasing power.

If you have any questions, please contact Deputy Chief Executive Officer, Ellen Sandt at (213) 974-1186 or esandt@ceo.lacounty.gov.

WTF:EFS:MKZ
FC:JH:pg

c: Executive Officer, Board of Supervisors
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 Treasurer and Tax Collector